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FISCAL IMPACT STATEMENT

LS 6485 | **NOTE PREPARED:** Dec 27, 2005
BILL NUMBER: SB 197 | **BILL AMENDED:**

SUBJECT: County Property Tax Credit.

FIRST AUTHOR: Sen. Mrvan | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: With respect to the credit for excessive residential property taxes for taxes payable in 2006, this bill allows a county fiscal body to adopt an ordinance before 2006 tax statements are issued authorizing the credit.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Currently, a county that wishes to provide local property tax credits for residential property must adopt an ordinance allowing the credit by June 30th of the year before the year in which the taxes are payable. This bill would allow counties to adopt an ordinance to allow the credit against taxes paid in 2006 at anytime before the 2006 tax bills are issued.

A previous analysis of 2003 data indicated that there were two counties, Lake and St. Joseph, where the credit would be of any real significance. This bill would give these counties additional time in which to adopt an ordinance to allow credits against 2006 tax bills. The fiscal impact is fully dependant on local action.

Background: Under current law, counties may provide credits against the property tax liability of residential property if the net property tax on the property, after all other credits are applied, exceeds 2% of the property's gross assessed value. The credit equals the amount of tax that exceeds the 2% threshold. Residential property may include any combination of homesteads, apartment complexes, and other residential rental property at the county's discretion. No application is required to receive the credit. The county auditor must identify the eligible property and apply the credit.

Currently, counties are permitted to borrow money for a term of up to 5 years to pay for the credits. If the county borrows money in order to fund the credit, the civil taxing units and school corporations in the county are required to repay the loan and must impose a property tax levy to repay the debt. This levy is subject to the unit's maximum permissible levy limit and cannot be the basis for obtaining an excessive levy.

If the property tax credits are granted, but not funded through a loan or other revenue source, the credits effectively reduce the tax collections that are distributed to local civil taxing units and school corporations with no replacement. So, if the county does not fund the credits, the entire cost of the credit is a local revenue reduction in the year granted.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Counties; Civil taxing units and school corporations in counties that adopt the credit.

Information Sources:

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